

SUBCOMMITTEE NO. 2

Agenda

S. Joseph Simitian, Chair
Alan Lowenthal
Abel Maldonado



Thursday March 4, 2010
9:30 am or upon adjournment of session
Rose Ann Vuich Hearing Room (2040)

Consultant: Bryan Ehlers

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Resources—Environmental Protection—Energy—Transportation

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Bond Overview

Resources Bond Funds Background. Since 1996, \$22 billion in resources-related bonds have been approved. Between 1996 and 2006, voters approved seven resources bonds totaling \$20.6 billion (Propositions 204, 12, 13, 40, 50, 84, and 1E), as well as \$1.2 billion for air quality purposes in the Proposition 1B transportation bond, and \$200 million for local parks in the Proposition 1C housing bond.

2010-11 Governor's Budget. The 2010-11 Governor's Budget includes approximately \$750 million in bond fund appropriations for the resources area (Natural Resources Agency: \$460 million; California Environmental Protection Agency: \$290 million). The majority of resources bonds are for the Department of Water Resources, with a request of \$458.6 million in new authority, primarily for various flood control projects, while the Department of Parks and Recreation is requesting to receive \$81.8 million, split fairly evenly between capital outlay and state operations.

Staff Comments. In order to provide a statewide context for various requests discussed later in the agenda, the Legislative Analyst's Office (LAO) will present some background regarding bonds in the resources area. The following are themes central to the ongoing bond discussions of this committee:

- The state's ability (or inability) to raise adequate cash in the bond market has created uncertainty for bond-funded programs and their constituents.
- The Legislature should give careful consideration as to whether, or how, the uncertainty of future bond sales affects decisions to appropriate or reappropriate bond funds.
- Different bonds place different restrictions on the entities that spend the bond proceeds. For example, the proceeds from Build America Bonds (which were sold last April) can only be used for "capital" projects, as opposed to working capital projects (e.g., ongoing operations, repair, or maintenance). In the resources area, working capital projects include water quality monitoring, invasive species removal, fuels reduction, watershed management planning, etc.
- To the extent that the availability of bond proceeds is constrained, departments may have to adjust their multi-year bond spending plans, and this includes allocation of administrative costs. (The concern being that, absent adjustments, departments could exhaust the amounts allowable for administration before programmatic funds run out.)

3340 California Conservation Corps

The California Conservation Corps (CCC) assists federal, state, and local agencies, and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 12 community conservation corps.

Governor's Budget. The Governor's Budget includes \$70.7 million for CCC training and work (state operations and local assistance), including approximately \$38 million General Fund (GF). This is about a 26 percent decrease over the current year level of support primarily due to a roughly \$25 million decrease in bond funding from the Safe Drinking Water, Water Quality, Flood Control, River and Coastal Protection, and Parks Bond of 2006 (Proposition 84 or Prop 84).

Summary of Expenditures				
<i>(dollars in thousands)</i>	2009-10	2010-11	\$ Change	% Change
Type of Expenditure				
Training and Work Program	\$ 95,541	\$ 70,701	-\$24,840	-25.9
Capital Outlay	10,498*	26,839*	16,341*	55.7*
Administration	7,902	7,787	-115	-1.4
<i>less distributed administration</i>	-\$7,902	-\$7,787	115	1.4
Total	\$ 106,039*	\$ 97,540*	-\$8,499*	-8.0*
Funding Source				
General Fund	\$ 33,571	\$ 37,979	\$4,408	13.1
Collins-Dugan California Conservation Corps Reimbursement Account	28,052	31,534	3,482	12.4
Other Special Funds	18,905	26,898	7,984	42.2
Bond Funds	25,511	1,128	-24,383	-95.6.2
Total	\$ 106,039	\$ 97,540	-\$8,509	-8.0

*Note: These amounts reflect the carryover of \$26.6 million in Delta Project expenditures that were originally planned for the 2009-10 fiscal year, but were carried into 2010-11.

ITEMS PROPOSED FOR VOTE-ONLY

1. BCP-4: Fresno Local Conservation Corps – Proposition 12 (Prop 12) for Fresno Local Conservation Corps (Budget Bill Language – BBL). The Governor requests \$659,000 (Prop 12) to support Fresno County Economic Opportunities Commission/Fresno Local Conservation Corps (FCEOC/FLCC) capital outlay and resources conservation projects in compliance with grant program guidelines. Additionally, the Governor requests BBL to extend the authorized use period for the requested funds from three years (one year to encumber and two to liquidate) to five years (three years to encumber and two years to liquidate).

Background. Prop 12 (of 2000) provided \$12.5 million to local conservation corps (local corps) to complete capital outlay and resource conservation projects. Each local corps received a share of the funding proportionate to its size, including the FCEOC/FLCC, which received \$659,000 and entered into an agreement with the CCC in 2005 to use those funds for development and construction of a recreation center. However, during active grant administration, FCEOC/FLCC informed the CCC that it intended to sell the recreation center to the City of Fresno for public use and, because the funds would no longer be used for the intended statutory purpose (to benefit the FCEOC/FLCC), the funds were returned on April 1, 2009.

Staff Comments. This request represents the final \$659,000 of Prop 12 funds allocated to the CCC and the local corps, and, consistent with past practice, the Governor proposes to again make these funds available to the FCEOC/FLCC. The request includes BBL to provide an extended period of use in order to ensure the FCEOC/FLCC has ample time to develop a project and reach a grant agreement with the CCC (prior to encumbrance). According to CCC staff, the late 2008 bond freeze and the state's subsequent cashflow problems have caused most local corps to revamp their plans and funding assumptions. Thus, the FCEOC/FLCC has not counted on receiving bond dollars and does not have a project simply lying in wait. Additionally, to the extent that the state's authorized bond expenditures exceed the availability of bond cash, even if this request is approved it might still be in the FCEOC/FLCC's best interest to act cautiously before committing resources to project development out of concern that the cash to execute the project might not be available in a timely fashion and precious time and resources will have been wasted. Therefore, the Committee may wish to strongly consider approving the requested BBL.

2. BCP-5: Augment Collins-Dugan Account (CD) for American Recovery and Reinvestment Act (ARRA)-Funded Projects. The Governor requests a one-time \$441,000 augmentation to fund requests from sponsoring agencies for project work to be completed in fiscal year (FY) 2010-11. ARRA dollars received by the project sponsors will reimburse the CD for these expenditures.

Staff Comments. This request would support the following four projects:

- A 2010 Summer Youth Program to fulfill a request by the San Luis Obispo County Community College District for Cuesta College;
- Project work, including restoration and improvement of watershed and stream habitat throughout coastal California as requested by the National Oceanic Atmospheric Administration Fisheries Habitat Conservation Program;
- Project work, including hazardous fuel reduction, replacement of water drainage features and restoration of trails within the Trinity National Forest as requested by the United State Forest Service; and
- Home weatherization project work in coastal California as requested by the Santa Cruz County Workforce Investment Board.

3. BCP-7: Placer Center Americans with Disability Act (ADA) Restroom. The Governor requests \$90,000 CD to construct an ADA-compliant unisex restroom in the Classroom/Energy Lab Building at the Placer residential facility in Auburn, Placer County.

Staff Comments. According to the CCC, the available restroom facilities constitute a violation of Title 8 Health and Safety codes, and are noncompliant with the ADA. Staff notes that the CCC has identified other of its facilities that also lack ADA-compliant restrooms, but due to funding constraints has prioritized this facility and the Greenwood Center Corpsmember Development/Recreation Building (see BCP-8) for upgrade in the 2010-11 FY in an effort to improve the adequacy of its restrooms and reduce the state's liability.

4. BCP-8: Greenwood Center Americans with Disability Act (ADA) Restroom. The Governor requests \$80,000 CD to construct an ADA-compliant unisex restroom in the Greenwood Center Corpsmember Development/Recreation Building at the Greenwood residential facility in El Dorado County.

Staff Comments. According to the CCC, the available restroom facilities constitute a violation of Title 8 Health and Safety codes, and are noncompliant with the ADA. Staff notes that the CCC has identified other of its facilities that also lack ADA-compliant restrooms, but due to funding constraints has prioritized this facility and the Placer residential facility Classroom/Energy Lab Building (see BCP-7) for upgrade in the 2010-11 FY in an effort to improve the adequacy of its restrooms and reduce the state's liability.

Staff Recommendation: APPROVE the requests (1-4) listed above.

VOTE:

DISCUSSION ITEMS

1. BCP-1: CCC Prop 84 Funding (BBL). The Governor requests the following adjustments to CCC Prop 84 funding:

- Reappropriate approximately \$3 million (the unencumbered balance of Item 3340-001-6051 of the Budget Act of 2008).
- Revert \$3 million over-appropriated in Item 3340-001-6051 of the Budget Act of 2009.
- Reappropriate the unencumbered balance of Item 3340-001-6051 of the Budget Act of 2009.
- Approve BBL extending the encumbrance period for the above reappropriations from one year to three years (i.e., make them available until June 30, 2013).

Background. Prop 84 provided \$45 million to the CCC to be divided as follows:

- \$25 million to improve public safety and improve/restore watersheds, with half (\$12.5 million) to go to the CCC, and the other half (\$12.5 million) as grants to local conservation corps (local corps).
- \$20 million as grants to local corps for acquisition and development of facilities to support local corps programs and for local resource conservation activities.

The funds addressed in this Budget Change Proposal (BCP) are those allocated to the CCC (\$12.5 million).

Staff Comments. This request seeks to address two key problems: (1) The \$12.5 million in Prop 84 funds identified for the CCC was inadvertently over-appropriated; and (2) the CCC has received almost none of the proceeds from recent bond sales, and, as a result, prior year and current year Prop 84 funding authority has gone largely unused.

- (1) *Over-appropriation* – The \$12.5 million in Prop 84 funds identified for the CCC was inadvertently over-appropriated. In addition to \$3 million provided to the CCC in FY 2008-09, the Legislature last year approved both a \$4 million request by the Governor (via a BCP) and a \$7 million augmentation, for a total appropriation of \$14 million (against the \$12.5 million provided in the original bond act). The \$3 million to be reverted represents: (1) the difference between the \$14 million total appropriation to-date and the \$12.5 million original bond authorization; (2) a little over \$1 million in statewide and CCC bond administration costs; and (3) around \$400,000 that would be appropriated at a later date.
- (2) *Currently No Cash Behind Prop 84 Authority* – Due to the late 2008 bond freeze and the state's ongoing cashflow problems, the availability of bond proceeds has been tightly constrained statewide. Of the \$3 million in Prop 84 expenditure authority provided in FY 2008-09, the CCC received only \$7,000 in actual cash. Similarly, the CCC has encumbered \$227,245 of its 2009-10 Prop 84 appropriation, and expended \$30,924.

Although staff has no specific concerns with the merits of this request, the Committee may wish to hold this, and all other bond requests, open pending the Treasurer's spring bond sale (anticipated to occur sometime in March).

Additionally, the Committee may wish to consider whether the funds contained in this request could be used to support Department of Forestry and Fire Protection (DFFP) fuels reduction efforts (see DFFP BCP-10, below).

Staff Recommendation: HOLD OPEN

VOTE:

2. BCP-3: Local Corps Prop 84 Project Funds (BBL). The Governor requests reappropriation of the balance of FY 2009-10 Prop 84 funding for the local corps. Additionally, the Governor requests BBL to extend the period of use for these funds to five years (three years to encumber and two to liquidate).

Background. As noted above, Prop 84 provided \$32.5 million to the local crops—\$12.5 million to improve public safety and improve/restore watersheds; and \$20 million for acquisition and development of facilities to support local corps programs, and for local resource conservation activities.

Staff Comments. The Budget Act of 2009 appropriated \$6.7 million (Prop 84) and reappropriated the unexpended balance of the \$23 million (Prop 84) appropriation from the Budget Act of 2008. Together, these two appropriations (totaling \$29.7 million) reflect all Prop 84 funds available to the local corps after accounting for statewide and CCC administrative costs. The CCC indicates that of the total \$29.7 million available to the local crops, \$7.7 million has been encumbered and another \$4.8 million has been expended (for a total of approximately \$12.5 million “committed”).

Staff notes that this request is for reappropriation of the \$6.7 million first appropriated in the current year; however, CCC staff indicate it was the department’s intent to also request reappropriation for the unexpended balance of the \$23 million that was first appropriated in FY 2008-09. A Spring Finance Letter to address this oversight is anticipated to be forthcoming, but in the meantime, language to reappropriate all of these amounts is currently contained in SBx8 30 (Oropeza), as amended March 1, 2010.

Consistent with the recommendation in the previous item, staff recommends this item be held open.

Staff Recommendation: HOLD OPEN

3. BCP-2: Collins-Dugan Augmentation for Work Project Operation Expenses and Equipment (OE&E) (BBL). The Governor requests a \$2.2 million augmentation to the Collins-Dugan Reimbursement Account (CD) in order to fund operating expenses and equipment expenditures required for completion of conservation work projects as requested by sponsor agencies. These expenditures include direct supplies, materials, and equipment such as plant materials, building materials, tools, food supplies, and travel costs for extended overnight stays close to project locations.

Background. The CCC is reimbursed for specific project costs by sponsor agencies through the CD. Prior to FY 2004-05, the CD was continuously appropriated and the CCC could take on additional projects without worrying about the adequacy of its CD authority. However, the CCC is now limited by the amount specified in the annual Budget Act and must seek a budget revision (as authorized pursuant to the Budget Act) in order to augment its CD appropriation. The current baseline for project OE&E is \$1.2 million.

Staff Comments. The CCC indicates that when the CD transitioned from a continuous to an annual appropriation, the baseline budget established at the time did not adequately account for work project OE&E. As a result, the CCC has regularly submitted multiple budget revisions to the Department of Finance (DOF), including 21 in FY 2008-09 totaling \$2.8 million, and 29 thus far in FY 2009-10 totaling \$1.2 million. Staff notes that since FY 2004-05, the CCC has required more than double (and at times triple) its baseline project OE&E appropriation. Based on these data, the \$2.2 million requested augmentation would bring the baseline more in line with historic trends and greatly reduce the staff time required by both the CCC and the DOF to process budget revisions.

Staff Recommendation: APPROVE the request.

VOTE:

4. BCP-6: Fleet Replacement. The Governor requests a one-time \$2.9 million augmentation to CD in 2010-11 and \$1.4 million in 2011-12 to fund replacement of 54 crew carrying vehicles (CCVs) and 20 vans.

Background. By December 31, 2011, the CCC must reach 100-percent compliance with a California Air Resources Board (ARB) Final Regulation Order, Title 13, California Code of Regulations, Sections 2022 and 2022.1, requiring new controls for diesel particulate matter for certain utility on-road heavy-duty diesel fueled vehicles, including the 56 CCVs in the CCC fleet. The CCVs are the primary mode of transportation to move CCC crews and their tools, gear, and equipment to and from projects and emergencies. (Health and safety regulations prevent the use of passenger vans for transport of certain tools, gear, and equipment and thus, in the absence of CCVs, the CCC would need both vans and pick-up trucks to get crews and their equipment to project sites.)

Additionally, the Governor's Executive Order S-14-09 (EO) requires all state departments to reduce their vehicle fleet by 15 percent by April 1, 2010. As such, the CCC plans to eliminate 17 CCVs and 23 vans as part of its 67-vehicle reduction.

Staff Comments. According to the CCC, 100 percent of its CCV fleet is between 22- and 25-years old, and thus modification of the CCVs, at a cost of \$22,500 per vehicle, in order to meet ARB regulations would not be cost effective—the modifications would make the vehicles compliant but would not extend their useful life. Consequently, the proposed replacement of the CCVs (at \$3.6 million over two years) would appear to be the most cost-effective way to reach compliance and provide the CCC with the ongoing use of its project workhorses.

As for the requested vans, the CCC van fleet currently consists of 100 vans, 13 percent of which are 20 years or older and 62 percent of which are at least 10 years old. According to information provided by the CCC, the Governor's EO will result in a 23 percent reduction to the van fleet (leaving the CCC with 77 vans). CCC staff indicate that in order to mitigate the frequent loss of service due to the maintenance needs of its aging fleet, the department has maintained more vans than might otherwise be necessary. Absent the requested new vans, the Governor's EO would erode this "insurance policy," and increase the likelihood that the CCC would not have ample transportation to carry out its mission.

The request for 20 new vans is then a way to help ensure that the new, "leaner" CCC van fleet is indeed "meaner" (newer) and sufficiently reliable to meet the Corps' ongoing needs. Staff notes, however, that the Administration has not demonstrated that the EO-imposed fleet reduction (presumably a cost savings) combined with the proposed partial-fleet replacement (a cost increase) results in a net savings compared to the status quo (i.e., no fleet reduction—the CCC continues to pay for maintenance of older vehicles). The best anecdotal information the CCC has been available to provide is that the current four-year average for vehicle maintenance is running around \$700,000 annually, and Department of General Services inspectors refuse to perform work on 11

vans in particularly poor condition (although the CCC notes that this appears to be a limited occurrence specific to certain Northern California locations). The Committee may wish to hold this item open until the Administration provides additional clarification on this point, and, ideally, conducts an analysis to demonstrate that the up-front cost of the proposed new vans combined with the maintenance costs avoided by eliminating older vans are less than the status quo, and that the proposed fleet size will still allow the CCC to carry out its mission.

Staff Recommendation: HOLD OPEN

3540 Department of Forestry and Fire Protection

The California Department of Forestry and Fire Protection (DFFP), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, DFFP: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. Excluding capital outlay, where the amount of carryover makes year-to-year comparisons less meaningful, the Governor's Budget includes \$1.091 billion for support of the DFFP in 2010-11. This is a 2.5 percent decrease over current year expenditures. The significant decrease in GF is due to the proposed backfill of \$200 million GF with revenues from the Emergency Response Initiative property insurance surcharge.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2009-10	2010-11	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$ 21,492	\$ 21,450	\$ -42	-0.1
Fire Protection	1,040,470	1,010,375	-30,095	-2.9
Resource Management	55,872	58,293	-2,421	-4.3
Board of Forestry	449	449	0	0.0
Administration	67,052	66,017	-1,035	-1.5
less distributed administration	-66,412	-65,500	912	1.4
Total	\$ 1,118,923	\$ 1,078,159	-\$40,764	-3.6
Capital Outlay (CO)	30,363*	804,550*	774,187*	2500.5*
Funding Source (excluding CO)				
General Fund	\$ 783,575	\$ 554,098	-\$229,477	-29.3
Special Funds	16,349	215,637	199,288	1219.0
Bond Funds	11,022	1,480	-9,542	-86.6
Federal Trust Fund	22,476	23,245	769	3.4
Forest Resources Improvement Fund	840	7,942	-7,102	-845.5
Timber Tax Fund	34	33	-1	-2.9
Reimbursements	284,627	288,649	-2,478	-1.4
Totals	\$ 1,118,923	\$ 1,091,084	-\$92,839	-7.8
*Note: These amounts reflect the carryover of \$770.9m in construction expenditures previously approved for FY 2009-10.				

ITEM PROPOSED FOR VOTE-ONLY

BCP-16: Extend Liquidation Period for Unexpended Bond Funds. The Governor requests BBL to extend until June 30, 2011, the liquidation period for various bond funds (Proposition 12, Proposition 40, Proposition 50, and Proposition 84) appropriated in FY 2007-08.

Staff Comments. According to the DFFP, these funds (approximately \$8.5 million) were encumbered under grants or contracts with expiration dates of no later than April 15, 2010; however, due to the bond freeze of late 2008 and the related uncertainties, it is taking grantees longer to complete their projects. Without the requested extension, some or all grantees might be unable to complete their projects.

Staff Recommendation: APPROVE the above request.

VOTE:

DISCUSSION ITEMS

1. BCP-7: State Fire Training. The Governor requests \$315,000 special fund and four positions (two temporary help; and two permanent) in the Office of the State Fire Marshal (OSFM) to: (1) develop a Feasibility Study Report (FSR) for a student records database; and (2) to address increased demand for fire service training.

Background. The OSFM is the lead agency for fire service training and, through its State Fire Training (SFT) Division, administers California's professional training standards, including certification, course delivery, and instructor credentialing for the fire service statewide. Various fees for service support the SFT, with the bulk of revenues coming from course delivery and certification review.

Staff Comments. The DFFP indicates that due to adoption of a strategic plan, Blueprint 2020, the SFT has experienced an increased level of participation from stakeholders and advisory groups, including a 51 percent increase in the number of courses delivered over the past three years. The OSFM has managed this increased workload by redirecting two full-time employees; however, in order to more accurately reflect the costs of the SFT program and to ensure that the redirected personnel can return to their normal duties, the DFFP has requested two new positions.

While the fund is able to support the requested resources, staff notes that the DFFP has failed to adequately demonstrate that the two positions currently being redirected to fire service training cannot continue acting in their current capacity. Given the Committee's prejudice against approving new positions during the current fiscal crisis, staff recommends denying the two permanent positions requested unless the DFFP can show that the redirection seriously undermines the department's mission (e.g., poses a threat to health and safety, or generates costs to the state).

As for the resources requested in support of FSR development (the two temp-help positions), the DFFP indicates that a new database would significantly increase efficiency, speed up turn-around time for certification and course processing, and reduce the 35 percent of staff time currently spent responding to course and certification historical records requests—with a new database connected to the web, such requests could be handled electronically without involving staff. Additionally, the DFFP indicates a new database would provide greater security than the current student training and certification records filing system which relies on students' Social Security Numbers.

Recommendation: APPROVE the two temp-help positions and associated funding for development of an FSR. DENY the two permanent positions and associated funding.

VOTE:

2. BCP-8: Code Development – Green Building Standards. The Governor requests one position and \$169,000 special fund to develop building standards, with emphasis on development, adoption, publication, updating, and educational efforts associated with green building standards and efforts to reduce home loss due to wildland fires.

Background. The OSFM promulgates regulations and building standards relating to fire and panic safety in specific occupancies throughout California.

Every three years (during its triennial cycle), the California Building Standards Commission (BSC) reviews the newest model building codes published by various independent code-developing bodies. When published, these model codes are sent to the BSC and to various state agencies that propose or adopt building standards, including the OFSM, the Division of the State Architect (within the Department of General Services—DGS), and the Department of Housing and Community Development (HCD). These agencies and the public draft proposed changes to the model codes and, through a deliberative process, the BSC eventually approves changes to the California Code of Regulations (CCR), Title 24, also known as the California Building Standards Code. On January 12, 2010, the BSC adopted the new California Green Building Standards Code (Part 11 of Title 24).

Chapter 719, Statutes of 2008 (SB 1473), created the Building Standards Administration Special Revolving Fund (BSASRF) for expenditures related to carrying out building standards, with emphasis placed on the development, adoption, publication, updating, and educational efforts associated with green building standards. The BSASRF is supported by fees collected from any applicant for a building permit, assessed at the rate of four dollars (\$4) per one hundred thousand dollars (\$100,000) in valuation. These fees are anticipated to generate approximately \$1.2 million in revenues to the BSASRF in FY 2010-2011.

Staff Comments. The OSFM currently has two positions dedicated to building standards review and adoption. According to OSFM staff, their participation in the recent green building standards code adoption was limited to maintaining the minimum fire and life safety regulations contained in the California Building and Fire Code. They note that new building technologies, materials and methods of construction are being developed that will affect firefighter safety and building occupant safety, with unknown environmental impacts. Further, they indicate that current OSFM resources do not permit staff time to address this new method of building in relationship to fire and panic safety.

In addition to green building, the DFFP indicates the requested position is intended to enable development of new wildfire protection building standards, which would make structures less susceptible to fires, and would potentially prevent the spread of wildland fires from home to home in wildland urban interface areas. Staff notes that, although unrelated to green building, nothing in current law prohibits the use of BSASRF monies for this purpose.

Additionally, staff notes concern that the justification for this BCP is based primarily on workload associated with green building standards that were just adopted in January 2010. Thus, substantial work on the next triennial adoption will not ramp up again for at least another year to two years. In the meantime, there is great need for outreach and education on the latest adoption. As support for these efforts was a primary intent behind the creation of the BSASRF (and a main reason why it was sponsored by the building industry), the justification for this request is weakened by the fact that the BCP does not provide a clear picture as to how the OSFM would participate in outreach efforts.

On its merits alone, staff would recommend denying this BCP outright. However, given that there is potentially an important role for the OSFM to play in ensuring green building standards adequately address fire and panic requirements, staff recommends this item be held open for the timebeing to allow: (1) the Administration to provide a comprehensive expenditure and work plan for the state entities receiving BSASRF monies; and (2) the OSFM to re-evaluate and better articulate how its use of these funds would support a coordinated effort to support green building in California; and (3) Senate Budget Subcommittee No. 4 to hear related items in the DGS and the HCD budgets.

Recommendation: HOLD OPEN pending receipt of the requested information from the Administration and further discussions of related expenditures in the DGS and HCD budgets in Senate Budget Subcommittee No. 4.

3. BCP-9: Civil Cost-Recovery Program. The Governor requests conversion of 14 limited-term positions to permanent status and carryover of the associated operating budget (\$2.1 million GF) in order to continue implementation of the Statewide Fire Suppression Cost-Recovery Program (Program).

Background. The Program was established as a pilot in FY 2008-09 in order to pursue civil actions to recover fire suppression costs from parties responsible for negligently causing fires. In its first year, the Program recovered \$12.3 million, approximately five times its cost. For the current fiscal year, recoveries on complex cases to date total approximately \$14.6 million. These recoveries are revenue to the GF.

Staff Comments. According to DFFP, over the prior and current fiscal year the Program has achieved an overall cost recovery rate of approximately 55 percent (i.e., the state has recovered \$55 on every \$100 it spent to fight a fire). Although more than 85 percent of the resolved cases resulted in a recovery of over 80 percent, the lower overall rate (of 55 percent) reflects the fact that the responsibility party did not have the means or assets to cover the costs of a few high-cost fires.

Based on the fact that there are \$184 million in costs for pending complex-cases that have already been initiated, the DFFP anticipates that the requested resources would lead to recoveries of approximately \$100 million over the next eight years—these cases often take many years to resolve—resulting in approximately \$12.5 million in additional annual revenue to the GF. Due to this significant anticipated return on investment, the Committee may wish to strongly consider approving these GF resources.

Staff Recommendation: APPROVE the request.

4. BCP-10: Watershed Fuels Management Program. The Governor requests \$40 million in Proposition 1E (Prop 1E) funds over seven years, including \$5.5 million in FY 2010-11, in order to continue a fuels management program currently funded by Proposition 40 (Prop 40).

Background. Prop 40, the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002, provided \$300 million for the purposes of clean beaches, watershed protection, and water quality projects. For the past six years, the DFFP has annually received between \$7 million and \$8 million of these funds in support of the Sierra Nevada Fuels Management Program (SNFMP), which protects at-risk watersheds in 15 Sierra Nevada counties by undertaking projects to reduce the incidence of large damaging wildfires in watershed areas. The SNFMP is one of several DFFP programs which conduct fuels management projects. Others include: (1) the Vegetation Management Program, which is a GF-supported cost-sharing program that focuses on the use of prescribed fire and mechanical means to address wildland fire hazards in State Responsibility Areas; and (2) the Federal Fuels Management Program, which is funded through the United State Forest Service and has goals similar to the SNFMP, including creation and maintenance of community fuel breaks.

Prop 1E, the Disaster Preparedness and Flood Protection Bond Act of 2006, provided approximately \$4.1 billion to rebuild and repair California's most vulnerable flood control structures to protect homes and prevent loss of life from flood-related disasters, including levee failures, flash floods, and mudslides and to protect California's drinking water supply system by rebuilding delta levees that are vulnerable to earthquakes and storms. Of these funds, \$300 million was identified (in Public Resources Code Section 5096.827) for stormwater flood management projects subject to specified requirements, including provision of benefits to groundwater recharge, water quality, ecosystem restoration, and protection of life and property.

Staff Comments. Notwithstanding the requested reappropriation of 2008-09 funding (see BCP-13) and any unencumbered balance from the current-year appropriation, Prop 40 funds for fuels management have been exhausted. Thus, the DFFP is looking to Prop 1E to provide an alternative funding source in order to carry on the watershed fuels management program. Pursuant to the requirement of Prop 1E, the DFFP intends to modify the existing SNFMP in order to serve the entire state and to focus more directly on watershed benefits. Additionally, Prop 1E requires a 50-percent non-state match which the DFFP intends to obtain from grantees as well as through the FFMP. (Thus, the Prop 1E fund would serve as the state's required 10-percent match on FFMP funding, and FFMP funds would be used to partially satisfy the Prop 1E matching requirement.)

Staff notes concern that, although fuel management is critical as a first-line defense against wildland fires ("an ounce of prevention is worth a pound of cure"), the requested use of Prop 1E votes may not be consistent with the voter's intent when they passed the bond act. Therefore, the Committee may wish to consider alternative fund sources to

meet this need. For example, the Prop 84 funds provided to the CCC (see CCC BCP-1) could potentially be used to have corps members conduct fuel management activities.

Additionally, it is unclear given the need to redesign the existing program how projects would be prioritized under the new approach. For example, how would projects be distributed geographically, and how would public versus private lands be treated? The Committee may wish to hold this item open and request LAO, DOF, and Committee staff to explore alternative means for achieving the state's fuel reduction and fire prevention goals.

Staff Recommendation: HOLD OPEN

5. BCP-13: Reappropriation of FY 2008-09 Prop 40 Bond Funds. The Governor requests reappropriation of approximately \$7.7 million in Prop 40 funding (\$1.8 million for urban forestry; and \$5.9 million for fuels management) that was originally appropriated in FY 2008-09.

Background. As noted previously, due to the late 2008 bond freeze and the state's ongoing cashflow problems, the availability of bond proceeds has been tightly constrained statewide. As a result, DFFP was not permitted to expend any 2008-09 grant funds.

Staff Comments. Staff notes no specific concerns, but consistent with previous bond-funded requests the Committee may wish to reserve judgment on this proposal until later in the spring when more information will be available on the state's fiscal and cashflow outlook.

Staff Recommendation: HOLD OPEN

6. BCP-15: Forest Care Fuel Reduction Program – ARRA Funds. The Governor requests \$1.4 million in federal fund authority (including \$524,000 in FY 2010-11 and 3.5 positions) in order to partner with the San Bernardino National Forest Association (SBNFA) and conduct outreach to private landowners of less than 20 acres in San Bernardino National Forest and help them access financial incentives aimed at promoting hazardous fuels reduction and healthy forests.

Background. The SBNFA is a private nonprofit that has received \$3.8 million in ARRA funding through the United States Forest Service for the Forest Care Program.

The Forest Care Program is a federal cost share program for small, primarily residential, forest landowners used to educate and assist them in reducing hazardous fuels and create a healthier forest on their property. The program has been in operation since 2005 and has been limited to private property in and around the San Bernardino National Forest as a stipulation of the funding source.

Staff Comments. According to DFFP staff, these ARRA funds are anticipated to be expended over four years (instead of more rapidly) based on a number of factors, including: (1) the need to work in concert and at pace with SBNFA; (2) the finite capacity of existing contractors in the area; (3) the ability to train and equip foresters; and (4) the ability to garner participation in the program by landowners. Staff notes that, the DFFP received \$318,000 in current-year fund authority via the Section 28 process, and the department has administratively established 1.8 positions to begin work. To the extent that the requested use of these ARRA funds is the sole purpose for which they were approved, staff has no concerns with the merits of the proposal.

However, staff notes that \$250 million in ARRA funds were made available nationwide under the Wildland Fire Management Program, and of the \$175 million in potential projects submitted by DFFP, this and a \$1.8 million award for an integrated pest management program were the only funds the state received. The Committee may wish to ask:

- Which states received the bulk of the Wildland Fire Management Program funding since California appears to have received a little more than 1.5 percent of it?
- What types of projects received funding?
- Why was California uncompetitive?

Recommendation: APPROVE the request.

VOTE:

7. Capital Outlay BCPs (COBCPs-1; 2; and 3): Fire Station Rehabilitations and Replacement. The Governor requests the following capital outlay projects:

- Replace Baker Fire Station – \$10.4 million (Lease Revenue Bond) – Baker Fire Station, located in Northwestern Tehama County, was built in 1948 and includes five buildings, all in various states of disrepair. The current site is on a 50-year lease from a private landowner and was renewed in 1994. The landowner is unwilling to sell to the state, but has been willing to provide favorable lease renewals. According to the DFFP, the rural development in the area does not justify reclassification of the properties from State Responsibility Area to Local Responsibility Area.
- Relocate Pine Mountain Fire Station – \$10 million (Lease Revenue Bond) – The DFFP selected a new location (near California Hot Springs) for its southeastern Tulare County fire suppression efforts after the Tulare County Board of Supervisors terminated the Cooperative Fire Protection Agreement with the DFFP in mid-2007. The new site, located near the community of Pine Flat was acquired (using funds appropriated in FY 2007-08 and augmented in December 2009), and the Administration is now requesting construction funds. The state owns this site.
- Replace Rincon Fire Station – \$13.2 million (Lease Revenue Bond) – Rincon Fire Station, located near Valley Center in San Diego County, was built in 1962 of unreinforced block with cement slab floor and does not meet seismic standards, current code requirements, and is not ADA compliant. Additionally, according to the DFFP, the facility is not large enough to accommodate existing staff and equipment. The state owns this site.

Staff Comments. Although staff notes no concerns with the justification for the three fire station projects discussed above, Committee members should be aware that, combined, the above requests would result in increased average annual lease-revenue bond costs of approximately \$2.8 million GF for a 25-year term beginning in about five years from now (due to the fact that total debt service for the \$34 million in FY 2010-11 projects will be approximately \$69.2 million—or double the original cost). As such, the Committee may wish to await April revenue numbers before determining whether or not to approve these additional GF expenditures.

Staff Recommendation: HOLD OPEN

3600 Department of Fish and Game

The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget includes \$385 million for support of the DFG, a reduction of \$25 million, or 6 percent, over current year expenditures. This reduction is primarily due to reduction in GF support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2009-10	2010-11	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$178,097	\$141,542	\$ -36,555	-20.5
Hunting, Fishing, and Public Use	70,588	72,907	2,319	3.3
Management of Department Lands	55,812	57,358	1,546	2.8
Enforcement	66,341	69,385	3,044	4.6
Communications, Education, and Outreach	4,396	4,643	247	5.6
Spill Prevention and Response	34,044	37,798	3,754	11.0
Fish and Game Commission	1,155	1,400	245	21.2
Administration	43,672	44,711	1,039	2.4
<i>less distributed administration</i>	-43,672	-44,711	-1,039	2.4
Total	\$410,433	\$385,033	-\$25,400	-6.2
Capital Outlay	\$2,049	\$2,600	\$551	26.9
Funding Source				
General Fund	\$37,366	\$68,912	\$31,546	84.4
Special Funds	180,761	167,967	-12,794	-7.1
Bond Funds	78,513	14,175	-64,338	-81.9
<i>SubTotal</i>	296,640	251,054	-45,586	-15.4
Federal Trust Fund	49,598	53,319	3,721	7.5
Reimbursements	56,639	56,886	247	0.4
Salton Sea Restoration Fund	-15,210	2,786	17,996	-118.3
Harbors and Watercraft Revolving Fund	2,282	2,619	337	14.8
Special Deposit Fund	1,468	1,606	138	9.4
Hatchery and Inland Fisheries Fund	19,016	16,763	-2,253	-11.8
Total	\$410,433	\$385,033	-\$25,400	-6.2

STAFF NOTE: Several of the following requests contain requests for new positions and associated one-time costs with which staff has raised concern. For example, one BCP contains 120 modular workstations priced at \$6,000 apiece. Others request approximately \$5,000 per position for a new computer, printer, and software, and an additional \$2,400 annually for information technology refresh. At first blush, these costs appear excessive; however, DFG staff are working with the DGS to verify and justify these costs. Unfortunately, at the time of this writing, more information is not yet available. Staff therefore recommends that the Committee discuss these proposals on their merits (where discussion is warranted), but hold them over until such time as staff concerns have been resolved.

ITEM PROPOSED FOR VOTE-ONLY

1. BCP-18: Klamath River Fish Tagging and Monitoring. The Governor requests \$1.9 million (reimbursement authority), one permanent position, and six Temporary Help positions to implement Iron Gate Hatchery (IGH) responsibilities under the Klamath Hydroelectric Settlement Agreement (Agreement).

Background. The DGF operates IGH to mitigate for lost salmon and steelhead habitat and production as a result of Pacific Power and Lights Corporation's (PacifiCorp) construction of Iron Gate Dam for hydropower production in the early 1960s. Under a Supreme Court decision, PacifiCorp has been responsible for 80 percent of personal services and operations costs at IGH with the DFG responsible for the remaining 20 percent. However, under a recent settlement agreement, PacifiCorp has now assumed: (1) 100 percent of IGH costs as well as an increased marking and tag recovery program for hatchery fish; (2) development and implementation of a Hatchery Genetics Management Plan; (3) a potential Environmental Impact Report; (4) costs for the DFG's fish stocking program; and (5) a potential North Coast Regional Water Quality Control Board Basin Plan Amendment.

Staff Comments. Notwithstanding the Committee's general prejudice against establishing new permanent positions at this time, staff raises no concerns with providing the DFG the authority to carry out the settlement agreement.

2. BCP-19: Coastal Wetland Management. The Governor requests \$275,000 (reimbursement authority) and 2.5 positions (including one 2-year limited-term) to implement two coastal wetland programs: (1) Managing property recently restored at Bolsa Chica Lowlands and operating Upper Newport Bay pursuant to mitigation and partnership agreements (1.5 permanent positions); and (2) actively participating and planning permitting processes of wetlands restoration projects in the South Coast Region from their inception through construction (one limited-term position).

Background on Bolsa Chica and Upper Newport Bay Ecological Reserves. The state, acting through the State Lands Commission (SLC) which received funds from the

Ports of Los Angeles and Long Beach as mitigation credits for port expansion, is obligated to manage the site in perpetuity based on agreements with the ports; however, the SLC is not a land management agency. The SLC originally approached both the DFG and the United States Fish and Wildlife Service (USFWS) about managing the reserves, but the USFWS declined. The DFG originally obtained staffing for this purpose in 2006, and anticipates funding (originally totaling \$17 million) to complete permit compliance, maintenance dredging, and on-site management and monitoring will be available for at least ten years.

Background on Coastal Wetland Restoration Planning. The state, acting through the State Coastal Conservancy (SCC), is obligated to pursue coastal wetlands restoration and enhancement; however, SCC staff are located in the San Francisco Bay Area and have limited expertise in managing coastal wetland projects. Currently, there are nine coastal wetlands owned and/or managed by the DFG in southern California, and another 4-5 identified under ownership and management of others that are in some phase of wetland restoration—some have been completed, some are in the planning phase, and others are being planned in future years.

Staff Comments. Notwithstanding the Committee's general prejudice against establishing new permanent positions, the positions requested for the Bolsa Chica and Newport Bay Ecological Reserves appear justified, and is consistent with the intent of requiring the ports to pay for active mitigation in exchange for the right to expand. Similarly, the request for a limited-term position to ensure timely and adequate planning of wetland restoration projects appears warranted given the number of proposed transportation and energy projects that could potentially adversely affect these areas (and require restoration and mitigation). Therefore, staff raises no concerns with approving this request.

3. BCP-2: Portable Radios for Law Enforcement Personnel. The Governor requests \$300,000 special fund (including \$270,000 FGPF-ND) one-time to purchase 75 Motorola XTS-2500 P-25 portable radios.

Background. The DFG maintains a high band VHF radio communications system in order to allow communication with personnel in the field, including 385 law enforcement officers (game wardens). In 2008, the DFG replaced all portable radios in the Law Enforcement Division (with the same model requested in this BCP).

Staff Comments. According to the DFG, at the time of the last radio purchase funds were insufficient to give radios to the Fish and Game Law Enforcement Academy or establish a pool of backups to ensure continued service should any be damaged in the field or need to be repaired. The 75 radios requested would provide 50 radios to the academy (so that cadets can train on the same radio that they take into the field), and 25 spares.

4. BCP-14: Augment Management of Duck and Wild Pig Funding. The Governor requests expenditure increases of \$155,000 and \$515,000 to Fish and Game Preservation Fund (FGPF) accounts dedicated to protecting, preserving, and enhancing duck and pig habitat, respectively.

Background. Adult hunters are required to purchase a Duck Stamp to hunt waterfowl, and the revenues from these stamp fees are used to benefit duck habitat. Similarly, wild pig hunters are required to purchase a pig tag, the revenues from which support wild pig management.

Staff Comments. Staff notes that the requested augmentations would result in the expenditures in each of the affected funds to exceed estimated annual revenues; however, both accounts enjoy a reserve sufficient to provide ample time for the department to either seek a fee increase or submit a negative BCP to reduce expenditure levels. Given that the monies contained in these accounts were paid by the beneficiaries of these requests, staff has no concerns with approving this request.

5. BCP-26: AB 825 – Enforcement of Crab Trap Restrictions. The Governor requests \$100,000 (Non-Dedicated FGPF, henceforth FGPF-ND) to fund game warden overtime sufficient to cover 300 additional hours of shore-side inspections of commercial crab vessel landings, and 200 additional hours of large boat patrols, in order to ensure a fair start to the Dungeness crab season and prevent early “incidental” take of Dungeness crab with rock crab traps.

Background. Chapter 478, Statutes of 2009 (AB 825; Blakeslee), permits the incidental take of rock crab with a Dungeness crab trap, and the incidental take of Dungeness crab with a rock crab trap south of Monterey County. The bill deleted the prohibition against possession of rock crab and Dungeness crab aboard the same boat.

Dungeness crab season from Mendocino County north runs from December 1 through July 15, and from November 15 through June 30 south of Mendocino County. Rock crab season runs year round.

Staff Comments. According to the DFG, the requested overtime is necessary to ensure fishermen with a southern rock crab trap permit below Monterey County do not set their traps out before the Dungeness crab season pre-soak period opens and then claim the Dungeness crab as “incidental take.” This would violate existing “fair-start” provisions of the Multi-State Management Agreement.

Staff notes that the requested resources are consistent with the Legislature’s AB 825 fiscal estimate.

Capital Outlay

6. COBCP-3: Project Planning. The Governor requests \$60,000 (FGPF-ND) for studies and budget cost estimates for selected capital outlay projects.

7. COBCP-4: Los Banos Wildlife Area – Domestic Water Supply. The Governor requests \$315,000 (FGPF-ND) to replace an existing waterline.

8. COBCP-5: Napa Sonoma Marsh Wildlife Area – Camp 2/Sonoma Creek Levee Enhancement. The Governor requests \$117,000 (Proposition 99, Public Resources Account—PRA) to improve an existing earthen levee and increase seasonal wetland acreage.

9. COBCP-8: Yolo Bypass Wildlife Area – North Tule Ranch Pump Station. The Governor requests \$115,000 (Proposition 99, PRA) to install a new pump to provide water to recently restored wetland.

10.COBCP-9: Honey Lake Wildlife Area – Tanner Weir Improvement Project (Phase II). The Governor requests \$386,000 (Proposition 99, PRA) to improve water conveyance at Honey Lake Wildlife Area.

11. COBCP-10: Grizzly Island Wildlife Area – South Solano Cut Water Control. The Governor requests \$38,000 (Proposition 99, PRA) to upgrade five water control structures along the South Solano Cut water supply canal at the Grizzly Island Wildlife Area.

12. COBCP-11: Mendota Wildlife Area – Water Conveyance Enhancement at Pump 2. The Governor requests \$74,000 (Proposition 99, PRA) to update 21 water control structures at the Mendota Wildlife Area.

Staff Comments. Staff has no concerns with the above capital outlay requests (5-11).

Staff Recommendation: APPROVE requests (3-12). HOLD OPEN items 1 and 2 pending additional clarification on one-time costs.

VOTE (on Items 3-12):

DISCUSSION ITEMS

1. BCP-11: Delta Environmental Review. The Governor requests six positions and \$807,000 (Prop 84, with Prop 84 and Prop 1E as reimbursements from the Department of Water Resources—DWR) to support the increase in both Delta Levee Program workload (three positions) and the number of Permitting and Restoration Program projects in the Sacramento-San Joaquin River Delta (three positions).

Background on the Delta Levee Program. Through the Delta Levee Program, the DFG performs assessments of existing habitats, determines potential impacts of levee work, suggests alternatives to avoid or reduce impacts to fish and wildlife resources, develops mitigation plans, assists with the preparation of local plans for 76 reclamation districts, and provides advice early in the planning process on larger restoration projects. The DFG also validates that levee maintenance and construction expenditures by the DWR and reclamation districts in the Sacramento-San Joaquin Delta (Delta) result in no net loss of habitat. Reclamation districts cannot be reimbursed without this determination.

The Delta Levee Program provided \$50.5 million in local assistance to reclamation districts in FY 2007-08 and 2008-09, and with the passage of Props 84 and 1E, starting in FY 2009-10, the DWR will provide \$176 million to these districts.

The DFG has an Interagency Agreement (IA) with the DWR, which provides funding for the Delta Levee Program. The IA includes eight positions on a three-year renewable cycle. Five of those positions are currently established within the DFG, while the remaining three are contained in this request.

Background on the Permitting and Restoration Program. The Permitting and Restoration Program ensures that threatened and endangered fish and wildlife resources in the Delta are conserved, restored, and recovered. Timely issuance of California Endangered Species Act (CESA) permits, water rights reviews, and CALFED Ecosystem Restoration Program (ERP) implementation of restoration and recovery actions are integral to statewide water supply delivery and reliability. Permitting and Restoration Program projects relate to statewide water planning and design; the protection of rivers, lakes, and streams; flood control; and other actions involving water supply operations, water quality, recreational facilities, and transportation infrastructure.

Staff Comments. Discussion of this proposal may best be held within the context of a future budget hearing on water issues (e.g., the fall 2009 “Water Deal”). Additionally, as the proposed positions are bond funded, Committee members may wish to await the outcome of spring 2010 bonds sales before taking action. In the meantime, the Committee members may wish to ask the DFG what will happen if bond proceeds are not available to fund these positions.

Staff Recommendation: HOLD OPEN

2. BCP-27: SBx7 1 – Delta In-Stream Flow Criteria. The Governor requests five positions (including 2.2 temporary help) and \$1 million (Prop 84) to implement the Delta in-stream flow criteria requirements of Chapter 5, Statutes of 2009 (SBx7 1; Simitian).

Background: SBx7 1, part of a package of water-related legislation adopted in the 2009 Seventh Extraordinary Session, requires (among many things) the DFG or the DWR to develop recommendations for in-stream flow criteria of the Delta within 12 months after the date of enactment of the bill (which was November 12, 2009). This assessment is part of a series of “early actions” required under SBx7 1 that will contribute to the State Water Resources Control Board developing final Delta flow criteria.

Staff Comments. According to the DFG, the Prop 84 resources requested would allow the department to: (1) complete in-stream flow studies on priority streams in the Delta to determine how much water is needed to establish suitable habitat types and water quality; (2) continue to work with appropriate agencies to minimize negative effects on fisheries, wildlife, or habitat by the operation of managed lakes, reservoirs, and diversions; and (3) take significant steps to implement a new In-Stream Flow Program (as required by both SBx7 1 and Public Resources Code Sections 10000 – 10005). The DFG indicates that existing resources are insufficient to carry out these responsibilities; however, staff resources are being redirected to meet the 12-month deadline.

As with the last item on the agenda, discussion of this proposal may best be held within the context of a future budget hearing on water issues. Additionally, as the proposed positions are bond funded, Committee members may wish to await the outcome of spring 2010 bonds sales before taking action.

Recommendation: HOLD OPEN

3. BCP-12: San Joaquin River Restoration. The Governor requests ongoing authority for 10 existing positions and \$8.8 million in one-time funding from Prop 84 (via reimbursements from the Natural Resources Agency) in order to support year four of San Joaquin River restoration efforts. This request consists of \$3.7 million in new funding and \$5.1 million in unspent funds from FY 2008-09 that will be reappropriated by the Natural Resources Agency.

Background. The San Joaquin River historically produced major sport and commercial fisheries (including the largest spring run of Chinook salmon in California), as well as important ecological, water supply, and water quality values.

A 2005 Federal Court preliminary holding in *NRDC v. Rogers* held that the United States Bureau of Reclamation and its contractors, in their operation of Friant Dam since 1945, had not complied with state law, which requires dam owners to release sufficient water to keep downstream fish in good condition. A settlement, which incorporated a separate Federal-State Memorandum of Understanding (MOU), agreed to by Governor Schwarzenegger and signed by the Secretary for Resources, was accepted by the Federal Court in May 2006. The MOU commits the DFG and the DWR to participate in the San Joaquin Restoration Program (SJRRP) created under the settlement. Funding for the implementation of the settlement was anticipated to come from the following sources:

State

- About \$200 million in bond funds from Props 84 and 1E

Federal

- Up to \$300 million of additional Federal appropriations requiring a non-federal cost-share of an equivalent amount
- Central Valley Project Improvement Act (CVPIA) – Up to \$2 million annually of other Friant Division water users CVPIA Restoration Fund payments
- Friant Surcharge Collections – Friant contractors' environmental fee expected to average about \$5.6 million per year
- Friant Capital Repayment – Friant division water users' capital component of their water rates redirected into the San Joaquin River Restoration Fund

Staff Comments. Consistent with other bond-funded requests, staff recommends this item be held over until a future hearing after the state tests the bond market this spring. However, in the meantime, Committee members may wish to request more information from the Administration on efforts to obtain federal support for the SJRRP. Staff notes that the state provided annual appropriations of \$1.2 million, \$6.3 million, and \$10.5 million in FYs 2007-08, 2008-09, and 2009-10, while, as of the SJRRP 2008 Annual Report, the federal government had provided only \$7.2 million via the CVPIA. More current information was unavailable at the time of this writing; however, Committee members may wish to ask the Administration to provide more up-to-date figures as well as estimates of future federal contributions.

Staff Recommendation: HOLD OPEN

4. BCP-16: Wildlife Corridor Mapping. The Governor requests one 2-year limited-term position and \$340,000 (Prop 84 funds provided via reimbursement from the Wildlife Conservation Board—WCB) in order to produce a spatial data system identifying wildlife corridors and habitat linkages that is consistent with the intent of Chapter 333, Statutes of 2008 (AB 2785).

Background. AB 2785 requires the DFG to determine which areas of the state are most essential as wildlife corridors and habitat linkages, develop and maintain a data system identifying those linkages, and deliver data sets and associated analytical products to interested government entities, stakeholders, and the public.

Staff Comments. Using partial redirection of one staff person, the DFG indicates the effort to implement AB 2785, in partnership with Caltrans is underway. Using \$250,000 in Caltrans funding, the DFG recently completed a statewide habitat connectivity and wildlife movement corridor analysis that relied on the best available data to create a gross, statewide scale to prioritize linkages based on biological value. However, feedback from the constituents who participated in the development of the corridor analysis tool indicated that it would have limited value and use to them in creating fine-scale linkage conservation plans or linkage designs. Based on this response, the WCB agreed to provide the funding for this proposal to develop a regional fine-scale corridor analysis approach in order to provide truly useful data to government entities, stakeholders, and the public, and fulfill the intent of AB 2785.

Staff notes no concern with this proposal, but due to its reliance on bond funding, Committee members may wish to defer action on this item until after a spring bond sale has occurred.

Staff Recommendation: HOLD OPEN

5. BCP-1: Replace Major Stockton Facility. The Governor requests \$1.6 million in FY 2010-11 and \$525,000 ongoing to move employees from 130 staff out of the current, overcrowded facility and into one that meets fire, life, and safety requirements. Moving costs, new workstations, and other one-time costs would be covered by \$550,000 (FGPF-ND) and \$550,000 in federal funds. The anticipated increase in ongoing costs for facilities operations (\$525,000) would be covered by federal funds (\$263,000) and reimbursements from the Department of Water Resources (\$262,000).

Background. The DFG leases two DGS-owned buildings and fifty-three private sector buildings, including the current home to the Central Valley Bay-Delta Branch, located in Stockton since 1991. Currently 130 staff occupy the facility, which does not meet Title 24, ADA, or seismic requirements. The current lease is short-term pending a decision on whether or not to complete the repairs needed to bring the facility into compliance.

Staff Comments. Although the existing facility could be brought into compliance at considerable expense, according to the DFG this would not be cost-effective because the existing footprint is too small to meet current staffing levels (which have grown approximately 85 percent since the DFG first took occupancy). DFG staff indicate that additional capacity of approximately 4,000 square feet is necessary to accommodate existing personnel, but this amount of space cannot be obtained at the existing location. Additionally, the DFG notes that a nearby raceway has become a nuisance, creating noise, increasing foot traffic, trash, and property damage (and even prostitution).

Staff notes concern that one-time costs contained in the BCP are too high. For example the DFG proposes \$857,000 for 166 workstations (120 of which would cost \$6,000 each, whereas others cost only \$3,500). Additionally, the Committee may wish the DFG to clarify the extent to which current staffing levels are anticipated to remain constant in the future in order to be sure that this facilities decision is being made on a stable staffing estimate. Unless the DFG can adequately defend these costs, staff recommends holding this item open to allow the department to provide additional justification.

Staff Recommendation: HOLD OPEN

6. BCP-3: Game Warden Increase. The Governor requests \$2 million (FGPF-ND), and seven Game Warden positions to focus on marine issues.

Background. DFG wardens are State Peace Officers and Federal Deputies for both the United States Fish and Wildlife Service and National Marine Fisheries Services. In addition to traditional law enforcement activities, they enforce fish, wildlife, and habitat protection laws on DFG-managed lands, including criminal and civil statutes.

The DFG received 15 new wardens in FY 2009-10, to bring the total authorized to 385. Currently, about 90 percent of those positions are filled, with 21 vacant, and 17 encumbered (anticipated to be filled by a current cadet). By comparison, the warden vacancy rate was running at about 20 percent in 2008.

Staff Comments. According to the DFG, the request for seven wardens is based on the level of funding available, as opposed to the need for adequate staffing, which is significantly higher. The DFG indicates that 385 wardens are currently responsible for patrolling 159,00 square miles, more than 1,100 miles of coastline (200 miles out to sea), 30,000 miles of rivers and streams, 4,800 lakes and reservoirs, and 80 major rivers. Meanwhile, statutory protection duties have increased, including: (1) the Marine Life Protection Act (MLPA); (2) new limits on lead ammunition in the condor range; (3) a suction dredge moratorium; and (4) the DFG Invasive Program aimed at preventing the spread of the Quagga mussel.

The DFG indicates that the requested warden positions would be assigned to marine duties out of recognition of the fact that the state may soon recognize an estimated 120 Marine Protection Areas (MPAs) pursuant to the MLPA and only 47 wardens currently patrol over 1,000 miles of coastline.

Staff Recommendation: HOLD OPEN, pending resolution of one-time cost concerns.

VOTE:

7. BCP-5: Law Enforcement Safety Gear (Tasers). The Governor requests \$378,000 (FGPF-ND), to provide 350 tasers to game wardens.

Background. Tasers use a neuromuscular incapacitation system (an electrical current rated at 1,200 volts) that affects both the sensory and motor nervous systems, preventing a suspect from resisting arrest.

The DFG purchased 25 tasers in FY 2008-09 in order to develop a pilot program. Currently 12 officers are trained to carry the tasers while 13 more are scheduled to receive training in March 2010.

Staff Comments. The DFG believes the acquisition and implementation of tasers would reduce the use of force by wardens and increase the safety of both wardens and subjects. The DFG cites data collected by the taser industry from across the country in which police departments report dramatic decreases in officer injuries subsequent to adoption of tasers. Staff notes that the DFG does not collect data on hands on encounters, but reports 64 documented assaults on DFG officers from 2005 to 2008.

The DFG indicates that the 350 tasers requested would be sufficient to equip each warden and supervisor. Staff notes that the California Highway Patrol recently purchased enough tasers to equip each on-duty officer (but not management personnel) at a cost of about \$790 per unit. The Committee may wish to discuss with the department as to why the BCP assumes a cost of \$1,000 per taser.

Staff Recommendation: HOLD OPEN.

VOTE:

8. BCP-9: Automated License Data System (ALDS) Reappropriation (BBL). The Governor requests reappropriation of unused budget authority (approximately \$4.5 million in total) from FY 2008-09 and 2009-10 to align the Automated License Data System project budget to the current project schedule. These funds are also requested to be made available for expenditure through FY 2013-14.

Background. The ALDS is intended to replace the DFG's current paper-based licensing system with an automated licensing system that will significantly increase program efficiency. The project was approved in FY 2007-08 based on a seven-year development plan, but was delayed in August-October 2008 due to contractor-caused slow delivery of an acceptable product. Following a review by the Office of the State Chief Information Officer (OCIO) that included project and organizational changes, the project resumed under a new schedule that includes a 39-month delay in statewide deployment of core functionality (the Point of Sale component due out in January 2011), and a 53-month delay in deployment of non-core functionality.

Staff Comments. The DFG indicates that the bulk of the project costs originally anticipated in FY 2007-08 through 2009-10 are being deferred by three years due to the fact that the vendor is funding the design, development, and implementation costs of the system, and will begin to accrue and receive payments once the ALDS is accepted by the department. According to the DFG, the core elements of the project—the business needs, justification, projects goals, and objectives—are stable and the scope has not changed. The most recent Special Project Report, dated February 2009, indicates that the project and organizational changes adopted subsequent to the OCIO's review could result in the project coming in under the originally budgeted cost.

The members of the Committee may wish to request a brief project update; however, staff has no concerns with this technical request to realign project funding.

Staff Recommendation: APPROVE the request.

VOTE:

9. BCP-15: Diesel Retrofit Program. The Governor requests \$1 million (FGPF-ND) (and \$580,000 in FY 2011-12) to retrofit 23 on-road and 58 off-road diesel vehicles and equipment to reduce emissions in compliance with regulations adopted by the ARB.

Background. As noted earlier (see CCC, BCP-6), ARB Final Regulation Order, Title 13, California Code of Regulations, Sections 2022 and 2022.1, institutes new controls for diesel particulate matter for certain diesel fueled vehicles and equipment, and requires 100-percent compliance by December 31, 2011.

Last year the Legislature approved trailer bill language (TBL) to allow these DFG costs (\$900,000), and similar expenditures for the DFFP (\$2.8 million) and the Department of Parks and Recreation (\$1.5 million) to be funded on a one-time basis from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF).

For FY 2010-11, only the DFFP is proposing to pay for these expenses (\$2 million) from the ARFVTF.

Staff Comments. Staff notes that the proposed expenditures can be supported by the existing fund balance; however, the Governor's Budget proposes FY 2010-11 expenditures that exceed the annual revenues to the fund. Additionally, to the extent that FGPF-ND can be used to offset various GF expenses, the Committee may wish to consider funding these activities from a different source, for example, the ARFVTF. The Governor's Budget projects an end of FY 2010-11 balance of \$6.6 million in the ARFVTF, which, while small relative to annual expenditures of \$112.7 million, is sufficient to cover these costs.

Staff Recommendation: APPROVE the requested funding amount for FY 2010-11, but from the ARFVTF. ADOPT placeholder TBL as necessary to ensure the expenditure is allowable. Defer decision on 2011-12 expenditures and fund source until next year.

VOTE:

10.BCP-17: Regulatory Review and Permitting. The Governor requests three positions and \$580,000 (reimbursement authority) to expand the South Coast and Central Regions' capacity to address large-scale and long-term projects requiring regulatory review and permitting.

Background. The mission of the DFG's Habitat Conservation Planning Branch (Branch) is to provide for the conservation, protection, restoration, and management of fish, wildlife, and native plants and to preserve and restore the ecosystems (including ecological processes) on which they depend for use and enjoyment by the public. In this capacity, the Branch conducts environmental review of projects, provides planning and consultation, CEQA review, issuance of Streambed Alteration Agreements, and Incidental Take Permits.

Staff Comments. The DFG states that it lacks the capacity to respond to large-scale and long-term projects requiring extensive environmental review and proposes to execute contracts with the Orange County Transportation Authority (OCTA), Sempra Energy/Southern California Gas Company (Sempra), and Tejon Ranch in order to fund new positions that will help provide streamlined and efficient permitting for the contract partners. The DFG indicates that such agreements are already in place for Caltrans and Newhall Land Development LLC (who each fund two positions).

Staff notes that this request is driven in part by the lack of GF available to otherwise fund these positions. However, staff raises concerns that, while efficient and timely permitting of projects may be a worthy goal of government, the direct funding of environmental review by private interests creates strong potential for conflict of interest. Long experience has demonstrated that the profit motive of a project sponsor and the legal responsibility of a regulatory agency are often at odds with one another, and, as a result, making the one fiscally beholden to the other creates inherent potential for regulatory capture. Therefore, staff recommends that Committee members carefully examine this proposal and request the department to respond to the following questions:

- How are contracts of this nature structured, and what, if any, obligation does the state take on in agreeing to the contract?
- What safeguards are in place to protect against the concerns raised by staff (including regulatory capture)?

Finally, if the Committee members ultimately opt to approve this proposal, staff recommends authorizing limited-term positions of no more than 3 years, consistent with the short-term nature of the proposed contracts.

Staff Recommendation: HOLD OPEN, pending resolution of one-time cost concerns.

11.BCP-20: Due Diligence Review for Land and Endowment Holders. The Governor requests \$387,000 (reimbursement authority) and 1.5 two-year limited-term positions to review the qualifications of nonprofit organizations applying to hold mitigation lands, and conduct ongoing oversight of these organizations in their management and stewardship capacities.

Background. Chapter 577, Statutes of 2006 (AB 2746; Blakeslee), expressly permits a state or local public agency to authorize a nonprofit organization to hold fee title, or a conservation easement over lands the agency must protect to mitigate adverse impacts to natural resources. AB 2746 also imposed new statutory obligations on the DFG to establish standards of eligibility to review the qualifications of nonprofit organizations proposing to manage and steward natural land or resources.

Staff Comments. The DFG indicates that since AB 2746 took effect, January 1, 2007, the department has been receiving applications from nonprofits seeking qualification and approval as mitigation land managers. In fact, the workload has significantly outstripped estimates (that the costs would be minor and absorbable) provided when the bill was approved by the Legislature, and the department has needed to redirect approximately 2.5 staff to address the workload.

The DFG is seeking the requested limited-term positions and contracted services of financial due diligence experts in order to offset the impact to existing programs (in particular, the California Endangered Species Act policy area from which one of the positions has been borrowed), and to ensure that financial review criteria are adequate and that mitigation land management is entrusted only to organizations that are fiscally sound.

This request appears to be consistent with the intent of the Legislature in adopting AB 2746 (if not the original fiscal analysis), and would be paid for through reimbursement agreements with applicants. However, staff notes that seeking an outside financial due diligence expert may be an unnecessary and costly option as opposed to seeking similar advice elsewhere in state service. Financial due diligence is a normal part of business for a variety of state entities, and it seems at least reasonably likely that their service could be obtained by the DFG at less cost than a private contractor. DFG staff indicate that attempts have been made to pursue this option, but have been rebuffed due to the relatively small size/magnitude of the entities and dollars in question. Staff recommends the Committee ask the department to clarify which state entities it has approached and the responses it has received, and if it appears not all options have been exhausted, to pursue others before the Committee opts for an outside contractor.

Staff Recommendation: HOLD OPEN, pending resolution of one-time cost concerns.

12.BCP-25: AB 1423 – Shared Habitat Alliance for Recreational Enhancement (SHARE) Program. The Governor requests \$59,000 (FGPF-ND) and 0.5 positions to implement the SHARE program pursuant to Chapter 394, Statutes of 2009 (AB 1423; Berryhill).

Background. AB 1423 amended and recast the SHARE program originally created pursuant to Chapter 758, Statutes of 2003 (AB 396; Harman). The program provides access for hunting opportunities on private lands and authorizes the DFG to pay landowners in exchange for access to their land. AB 1423 authorizes the DFG to fund the program through user fees, but is permissive of using various state or non-state funds.

A SHARE pilot program has been implemented with non-state funds by supporters of this legislation over the past three years. Over a thousand participants/potential participants have applied to use the program and, according to the DFG, the response from landowners has been very favorable.

Staff Comments. The magnitude of this request is consistent with fiscal estimates provided at the time of AB 1423's passage; however, given the department's ability to fund this program from user fees, and particularly in light of the apparent willingness of the users to pay such fees (as demonstrated by support of the pilot program), staff sees no reason why the state should fund this program. Absent a justification for the need for "bridge" funding (which was not contained in the BCP, where the request was for ongoing support), and a commitment to institute a fee in the immediate future, staff recommends the Committee deny this request.

Staff Recommendation: DENY the request.

VOTE:

13.COBCPs-6, 7, 12, 13, 14, 15, 16, and 17: AB 7-Related Fish Hatchery Requests.

The Governor requests the following resources in association with Chapter 689, Statutes of 2006 (AB 7; Cogdill):

- COBCP-6: Kern River Hatchery, Back-Up Well Water System – \$150,000 (Hatchery and Inland Fisheries Fund – HIFF)
- COBCP-7: Darrah Springs Hatchery, Analysis of Water Discharge for Settling Ponds -- \$150,000 (HIFF)
- COBCP-12: Mojave River Hatchery Low Head Oxygen System Building – \$225,000 (HIFF)
- COBCP-13: Kern River Fish Hatchery Bird Enclosure – \$100,000 (HIFF)
- COBCP-14: American River Hatchery New Settling Pond – \$408,000 (HIFF)
- COBCP-15: Crystal Lake Hatchery Feed Bin Replacement – \$350,000 (HIFF)
- COBCP-16: Crystal Lake Fish Hatchery Expand Outside Shed – \$72,000 (HIFF)
- COBCP-17: Black Rock Hatchery Convault Fuel Tank – \$40,000 (HIFF)

Background. AB 7 created the HIFF and required that one-third of fish license revenue, monies that historically went to the FGPF, instead be deposited in the HIFF for various purposes, including the attainment of state fish hatchery production goals relating to the release of trout. Based on \$49.3 million in 2004 fish licensing fee revenues, the bill was estimated to reduce annual revenues to the FGPF by approximately \$16.4 million. In FY 2009-10 and 2010-11, the DFG estimates this amount will be \$18.7 million.

Last year, the Governor proposed and the Legislature approved \$3.1 million in similar AB 7 expenditures.

Staff Comments. The requests listed above, totaling approximately \$1.5 million, are all explicitly or implicitly related to the AB 7 mandate to increase fish hatchery production (in most cases by hundreds of thousands of pounds per year). Several of the construction proposals (for example, settling ponds) are necessary to offset or avoid the environmental damage (primarily in terms of water quality) that would otherwise occur as a result of the increased fish production and the concomitant increased application of chemicals and antibiotics that is necessary to keep fish raised in such close confinement from becoming ill or dying. As noted in the BCPs, at the increased rates of production required under AB 7, fish will become increasingly stressed, more chemicals and antibiotics are necessary, and without the measures being proposed the chemical run-off from these hatcheries would violate Regional Water Quality Control Board standards for acceptable levels of chemical discharge.

Notwithstanding the Legislature's intent in approving AB 7, one result of the bill's enactment has been to reduce the DFG's fiscal flexibility—by providing fewer funds to the “all-purpose” FGPF. Among other things, the FGPF can be used in tough times to supplant certain GF expenditures, and it helps to pay for game wardens, which, as

identified earlier in this agenda, are in short supply. Staff notes that currently the HIFF provides no funding for game wardens despite the fact that AB 7 authorized HIFF expenditures for “enforcement activities” related to hatchery fish, and the Heritage and Wild Trout Program in particular. The Committee may, therefore, wish to explore the use of this fund to support additional wardens.

Furthermore, in view of the pressure on the DFG’s limited GF, the Committee may wish to further explore whether the methods employed in AB 7 for re-creating historic fish stocks of a few select species make sense to the extent that AB 7-related expenditures may tend to squeeze out other, higher priorities amid the ongoing fiscal crisis. Notwithstanding AB 7, the \$18.7 million that will go to the HIFF this year and next could otherwise go to many purposes (game wardens being only one among many). Given that recent lawsuits have already curtailed certain DFG stocking activities and that 2.75 pounds of released trout per licensee per year may not be environmentally wise given ever-increasing populations and the finite carrying capacity of our water bodies, spending \$1.5 million mostly to mitigate the ill effects of Concentrated Animal Feeding Operation-style fish hatcheries may not be the best investment of these resources. Therefore, staff recommends holding these items open pending further discussion.

Staff Recommendation: HOLD OPEN

3790 Department of Parks and Recreation

The Department of Parks and Recreation (Parks) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 278 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Governor's Budget. The Governor's Budget includes \$579 million for Parks. This is a decrease of nearly 41 percent from current year due primarily to a decrease in bond fund expenditures.

Summary of Expenditures

<i>(dollars in thousands)</i>	2009-10	2010-11	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$439,632	\$430,632	-\$9,000	-2.0
Local Assistance Grants	405,516	46,610	-358,906	-88.5
Total	\$845,148	\$477,242	-\$367,906	-43.5
Capital Outlay	\$134,371	\$101,898	-\$32,573	-24.2
Funding Source				
General Fund	\$123,098	\$0*	-\$123,098	-100.0
Special Funds	279,603	379,932	100,329	35.9
Bond Funds	372,678	48,032	-324,646	-87.1
<i>Subtotal</i>	<i>775,379</i>	<i>427,964</i>	<i>-347,415</i>	<i>-44.8</i>
Federal Trust Fund	21,353	13,166	-8,187	-38.3
Reimbursements	47,250	34,654	-12,596	-26.7
Harbors and Watercraft Revolving Fund	1,166	1,458	292	25.0
Total	\$845,148	\$477,242	-\$367,906	-43.5

*The Governor proposes to delete all Parks GF and backfill with oil lease revenues from Tranquillon Ridge.

ITEM PROPOSED FOR VOTE-ONLY

1. BCP-7: Increased Program Delivery for Proposition 40 Railroad Technology Museum Grant Program. The Governor requests \$105,000 (Proposition 40) for program delivery to administer the Railroad Technology Museum Grant Program.

Background. Proposition 40, the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002, provided \$225 million to Parks for the acquisition and development of the State Park System. Chapter 698, Statutes of 2008, appropriated \$6.6 million of those funds to Parks to be administered as a grant to the Railroad Technology Museum Foundation (Foundation) for the purposes of a boiler shop core, shell, site rehabilitation, and development.

Staff Comments. Parks indicates that the Foundation is not in a position to oversee its own grant, and so this BCP requests 3.5 percent of the allotted funds to pay for the department to carry out grant administration activities for the Foundation.

2. BCP-LA2: FY 2010-11 Local Assistance Program – Reversion Language (BBL). The Governor requests BBL to revert the unencumbered balances in previous Local Assistance Program Federal Trust Fund appropriations that were made “Without Regard to Fiscal Year” (WORFY).

Background. The WORFY appropriations in question were made in the Budget Acts of 1990, 1991, 1992, and 1993.

Staff Comments. Staff has no concerns with this request, which is technical in nature and will simply allow the State Controller’s Office to remove the appropriations from their systems.

Capital Outlay

3. COBCP-A-4: Statewide Federal Trust Fund Program. The Governor requests \$5 million (Federal Funds) to provide funds to be used to acquire important additions to or improve facilities with the State Park System.

4. COBCP-S-2: Statewide Reimbursed Capital Outlay Projects. The Governor requests \$3 million (reimbursement authority) to establish within the budget a capital outlay schedule for the expenditure of, and a separate schedule for receipt of, reimbursement funds from various other departments and entities per the terms of the grant program and agreements.

5. COBCP-D-920: Leo Carillo State Park—Steelhead Trout Barrier Removal. The Governor requests \$2.2 million (reimbursement authority) to carry out the construction

phase of a project that will provide two free span bridges to replace two existing in-stream crossings located on Arroyo Sequit Creek within Leo Carrillo State Park. The project will be funded by a grant from the Santa Monica Bay Restoration Commission.

6. COBCP-D-001: Candlestick Point State Recreation Area Yosemite Slough—Public Use Improvements. The Governor requests \$3.1 million (reimbursement authority) to construct public access, parking, picnic, restroom, trail, and landscaping and interpretive improvements to support public day use adjacent to a separately funded wetland restoration project at Yosemite Slough in Candlestick Point State Recreation Area on San Francisco Bay.

7. COBCP-OHV-5: Oceano Dune SVRA/Pismo State Beach Visitor Center and Equipment Storage. The Governor requests \$5.6 million (OHV Trust Fund) to construct two new buildings—a Visitor Center and an Equipment Storage Facility.

8. COBCP-OHV-3: Statewide Opportunity Purchase Pre-Budget Schematics. The Governor requests \$2 million (OHV Trust Fund) to: (1) conduct property appraisals prior to departmental requests for acquisition appropriations; (2) purchase various real property parcels; and/or prepare budget cost estimates and schematics for future development projects.

9. COBCP-OHV-2: Heber Dune SVRA Initial Development. The Governor requests \$361,000 (OHV Trust Fund) to develop working drawings for a project that will provide initial development of Heber Dunes SVRA to include new administrative, maintenance, and recreational facilities. Construction costs are currently estimated at \$5.3 million, and are scheduled to be funded out of the OHV Trust Fund in FY 2011-12.

10. COBCP-OHV-7: Carnegie SVRA—Road Reconstruction. The Governor requests \$467,000 (OHV Trust Fund) to carry out the planning and working drawings phases of a project to reconstruct and rehabilitate approximately 80 miles of unpaved roads at Carnegie SVRA in order to meet current emergency access, Clean Water, and public use standards.

11. COBCP-OHV-8: Hollister Hills SVRA—Infrastructure and Rehabilitation. The Governor requests \$153,000 (OHV Trust Fund) to carry out the planning phase of a project that will provide improvements to basic infrastructure and visitor facilities, including three badly worn campgrounds, at Hollister Hill SVRA.

12. COBCP-OHV-9: Southern California Opportunity Purchase. The Governor requests \$32 million (OHV Trust Fund) to acquire portions of land identified as Onyx Ranch, a 64,000-plus acre ranch southeast of Sequoia National Forest, near Lake Isabella in Kern County. This opportunity purchase is intended to preserve OHV access to the land as nearby parcels have recently been purchased for development by the Renewable Resources Group.

13. Various OHV Minor Capital Outlay Projects. The Governor requests \$2.4 million (OHV Trust Fund) for various OHV capital outlay projects.

Staff Comments. Staff has no significant concerns with the above capital requests (4-14).

Staff Recommendation: APPROVE the requests (1-13) above.

VOTE:

DISCUSSION ITEMS

1. BCP-1: Empire Mine State Historic Park (SHP) Ongoing Remediation Measures. The Governor requests \$4.1 million GF to fund ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine SHP.

Background. Empire Mine SHP is the site of one of the oldest, largest, deepest, longest, and richest gold mines in California. Closed in 1956, the mining operations left the land contaminated with various dangerous chemicals, including arsenic, cyanide, mercury, thallium, manganese, and iron. In order to create a park, the state purchased the mine property from Newmont Mining Corporation in 1974 and assumed all rights and responsibility to the title and interest and responsibility for the free flowing of water from the Magenta Drain tunnel running beneath. The park consists of 856 acres containing many of the mine's buildings and the entrance to 367 miles of abandoned and flooded mine shafts.

As the owner of the Empire Mine lands, Parks was sued for alleged violations of the Federal Clean Water Act. The lawsuit was settled on January 13, 2006, through a consent decree in federal court. The consent decree requires Parks to immediately implement corrective measures to mitigate the impacts from toxic soils and contaminated surface water discharges to the local watershed. The project is also under order by the Department of Toxic Substances Control (DTSC) and the Central Valley Regional Water Quality Board.

Beginning in FY 2005-06, the state began providing funding to determine the presence of contaminants at the mine, and each year since has funded corrective measures. For the current fiscal year, Parks was provided \$5.7 million and six positions to continue remediation efforts.

Staff Comments. The proposed request for funding, the fifth year in a multi-year plan, would respond to the orders mentioned above, including a March 2009 amendment (#2) to the Cleanup and Abatement Order issued by DTSC and the California Regional Water Quality Control Board (Water Board). Activities would include ongoing treatment of the groundwater discharge from the Magenta Drain Portal.

Per the BCP submitted in the Governor's Budget, Parks' current plan is to temporarily employ passive treatment of discharges at the portal in order to reduce/remove metals to concentrations below the effluent limits, and, meanwhile, attempt to obtain a variance to amend the Basin Plan to increase the allowable concentration of manganese in the groundwater discharge from the drain. Because manganese primarily affects aesthetic water qualities (e.g., taste and odor), Parks is hopeful that the Water Board will find that it is in the best interest of the people of California to grant a variance. However, Parks indicates that the process may take up to five years, and in the end, if the Water Board refuses the variance, then the state will have to pursue a more costly alternative of installing a full-scale treatment plant.

While the state is in arbitration with Newmont to determine responsibility for the contamination, the process is currently at a standstill. In the meantime, due to health and safety concerns for the citizenry, as well as the legal liability of the state, staff sees no other option but to approve this GF expenditure.

Recommendation: APPROVE the request.

VOTE:

2. BCP-8: Orange Coast District Special Events Program. The Governor requests \$232,000 (reimbursement authority) and three positions to augment the Special Event Program in the Orange Coast District.

Background. Special Event permits allow short-term use of Parks lands or facilities for sporting events, historical pageants, fiestas, musical concerts, weddings, receptions, banquets, or similar types of activities. They have become increasingly popular in the Orange Coast District (OCD), which includes Crystal Cove State Park; and Corona Del Mar, Bolsa Chica, Huntington, Doheny, San Clemente, and San Onofre State Beaches.

Staff Comments. Although the OCD Special Events Program was historically staffed on an ad hoc basis, the number of events has increased, forcing redirections. Fees generated by the OCD Special Events Program have increased steadily as well over the past several years, and have become an integral part of the District budget. For example, in FY 2008-09 fee receipts exceed \$1.3 million, or nearly 10 percent of the district's \$13.3 million budget.

In order to further reduce its reliance on uncertain GF allocations during the state's ongoing fiscal crisis and to ensure ongoing support for programs with proven public support, the OCD proposes to hire three Office Technicians to help coordinate its Special Events Program and increase the number of special events held at district parks.

While the OCD is to be commended for taking the initiative to develop and maximize available revenue streams in these tough times, staff notes concern about whether, and to what extent, the proposed increase in special events will place a strain on the natural resources within these parks and/or limit the enjoyment of park resources by other visitors. Committee members may wish to have Parks address these concerns.

Additionally, staff notes that the OCD currently intends to keep all fee revenues within the district (although it does not preclude the possibility that future excess revenues could be deposited into the State Parks and Recreation Fund (SPRF) for the benefit of the entire State Parks System). Not all Parks districts enjoy the relative affluence of Orange County, and so, while weighing the need not to create a disincentive to the entrepreneurialism on display in the OCD, the Committee members may wish to discuss whether some redistribution of revenues in the future would make for good Parks policy.

Recommendation: HOLD OPEN

3. BCP-LA1: FY 2010-11 Local Assistance Program (BBL). The Governor requests \$46.6 million from federal and various special funds for grants to various agencies as follows:

- Habitat Conservation Fund – \$4.6 million, including \$3.1 million for recreational grants and \$1.5 million for local projects
- Off-Highway Vehicle (OHV) Trust Fund – \$26 million for OHV grants
- OHV Trust Fund – \$1.1 million for OHV restoration grants
- Recreational Trails Fund – \$8.2 million in Federal Highway Administration funding for OHV grants and recreational grants (non-motorized trails)
- Federal Trust Fund – \$6.7 million for the Land and Water Conservation Fund Program, including \$5 million to do statewide planning, and acquisition and development of outdoor recreation areas and facilities; and \$1.7 million for historic preservation grants

The Governor additionally requests that all of the above funding be made available for expenditure through FY 2012-13.

Staff Comments. Staff has no significant concerns with this request.

Staff Recommendation: APPROVE the request.

VOTE:

4. BCP-10: Increased Proposition 99 (PRA) Authority. The Governor requests \$2.8 million (Proposition 99, PRA) to supplant on a one-time basis \$2.8 million in SPRF support for the Resources Management Program.

Background. Proposition 99 created the Cigarette and Tobacco Products Surtax Fund, which contains a Public Resources Account.

Staff Comments. According to Parks, from FY 2008-09 through 2009-10, revenues to the PRA were down, and thus the Parks PRA appropriation was reduced by \$2.7 million from prior levels. However, due to increased revenues, the DOF ordered Parks to increase PRA expenditures and take a proportionate reduction in SPRF expenditures.

While staff notes no concerns with this proposal, the Committee may wish to hold this item open pending final disposition of the proposed backfill of GF Parks support with Tranquillon Ridge oil lease revenues. In the event the oil lease is not approved and/or the accompanying GF reduction and backfill are not adopted, the \$2.8 million from the PRA could likely be used to offset GF expenditures.

Staff Recommendation: HOLD OPEN

Prop 84 Proposals

The Committee may wish to discuss the following Prop 84-funded items, particularly the extent to which these funds are being applied to the department's \$1 billion-plus maintenance and rehabilitation backlog; however, staff recommends, consistent with previous bond fund proposals, that the Committee hold these items open until after the spring bond sale.

5. BCP-2: Prop 84 – California Museum Collection Center (Museum) Infrastructure and Tenant Improvements (BBL). The Governor requests \$14.2 million (Prop 84) to provide tenant improvements and the necessary infrastructure to effectively and efficiently preserve and protect the state's cultural artifacts. Additionally, the Governor requests BBL to make these funds available only upon approval of new facilities for the Museum (whether through a lease or acquisition).

Background. Parks maintains a museum collection that includes more than 1.5 million objects and two million archaeological artifacts, approximately 50 percent of which are located in nine 30-year old storage facilities currently located in West Sacramento.

Staff Comments. Parks maintains that the current storage facilities lack adequate security measures, climate control, and space. The department indicates that the state's historical collection is deteriorating, indeed has already incurred irreversible loss, and cites examples such as recent roof leaks in four buildings that damaged artifacts and collection records, as well as an electrical panel fire caused by aluminum wiring. Additionally, the facilities can no longer accept cultural artifacts from State Park System Units due to lack of space.

According to Parks, the collection can be better safeguarded, and, in fact, savings can be achieved, by moving the collection and centralizing it at one location. While the department has begun to work with the DGS to identify the best alternative location, this request was submitted to obtain bond funding for the tenant improvements necessary to provide an industry-standard preservation environment (e.g., climate control).

Staff notes that the proposed use of Prop 84 funds appears to be consistent with the bond act and that the need for improved facilities is well documented. However, some questions remain about the timing of and savings to be achieved by the proposed relocation. Consistent with previous recommendations to hold over bond-funded items until after a spring bond sale, this item should also be held open.

Recommendation: HOLD OPEN

6. BCP-3: Prop 84 – Cultural Stewardship Program (BBL). The Governor requests \$1.3 million (Prop 84) to fund projects that preserve and restore critical cultural resources in the State Park System. Additionally the Governor requests BBL to make these funds available for encumbrance or expenditure until June 30, 2012.

Background. Parks maintains many of California's irreplaceable and highly significant cultural resources, and Prop 84 provided funding specifically intended to help mitigate against the constant deterioration of these resources (many of which date to the 18th and 19th centuries).

The Legislature approved Prop 84 funds for this program, in each of the past two years, as the department cites a \$263 million backlog of cultural projects. This request represents the third year in a six-year spending plan, totaling \$8 million.

Staff Comments. The proposed expenditures are consistent with Prop 84 requirements.

Recommendation: HOLD OPEN.

7. BCP-4: Prop 84 – Natural Heritage Stewardship Program (BBL). The Governor requests \$1.8 million (Prop 84) to fund projects that preserve and restore critical natural resources in the State Park System. Additionally, the Governor requests BBL to make these funds available for encumbrance or expenditure until June 30, 2012.

Background. The Natural Heritage Stewardship Program seeks to protect State Park System natural resource values, and has been funded continuously by voter-approved bonds since 1984. Prop 84 provided funding specifically intended to further these efforts to mitigate erosion, control exotic species encroachment, restore endangered species habitat, reduce wildfire fuels, and address vandalism (to name just a few).

The Legislature approved Prop 84 funds for this program, in each of the past two years, as the department cites a \$200 million backlog of natural projects. This request represents the third year in a five-year spending plan, totaling \$8.6 million.

Staff Comments. The proposed expenditures are consistent with Prop 84 requirements.

Recommendation: HOLD OPEN.

8. BCP-5: Prop 84 – Interpretive Exhibit Program (BBL). The Governor requests \$1.6 million (Prop 84) to fund projects that communicate the unique natural, historic, and recreation resources of the State Park System. Additionally, the Governor requests BBL to make these funds available for encumbrance or expenditure until June 30, 2012.

Background. The Interpretive Exhibit Program seeks to enhance the park visitor's experience by helping a visitor understand the unique natural, historic, and recreational resource of the State Park System. In the past, the department was unable to fulfill this mission due to lack of funding; however, Prop 84 provided funding specifically intended to further these efforts.

The Legislature approved Prop 84 funds for this program, in each of the past two years, as the department cites a \$150 million backlog of interpretive projects. This request represents the third year in a six-year spending plan, totaling \$10 million.

Staff Comments. The proposed expenditures are consistent with Prop 84 requirements.

Recommendation: HOLD OPEN.

9. BCP-6: Prop 84 – Large Natural Resources Restoration Program (BBL). The Governor requests \$1.4 million (Prop 84) to fund natural resource restoration projects in the State Park System. Additionally, the Governor requests BBL to make these funds available for encumbrance or expenditure until June 30, 2012.

Background. The Large Natural Resources Restoration Program seeks to protect California's significant natural resources by providing for their restoration, long-term health, and preservation. Projects are generally large-scale, requiring 2-3 years to complete, and may include those that cannot otherwise be effectively accomplished under other department programs, such as the Natural Stewardship Program.

For FY 2010-11, Parks plans to fund the following large natural resources restoration projects using Prop 84 funds:

- Prairie Creek Redwoods State Park – Dune Restoration
- Henry W. Coe State Park – Watershed Restoration
- State Park System-Wide – Erosion Control and Stabilization

The Legislature approved Prop 84 funds for this program, in each of the past two years, and this request represents the third year in a five-year spending plan totaling \$10 million.

Staff Comments. The proposed expenditures are consistent with Prop 84 requirements.

Recommendation: HOLD OPEN.

Prop 84 Capital Outlay Proposals

10.COBCP-S-1: Statewide Budget Development. The Governor requests \$300,000 (Prop 84) to: (1) fund initial investigation and studies for future projects to provide a better definition of project scope; and (2) pay for costs to prepare budget cost estimates, schematic drawings, and other information for projects.

11.COBCP-D-880: Marshall Gold Discovery State Historic Park Improvements. The Governor requests \$3.4 million (Prop 84) to conduct the construction phase of this project to enhance the visitor's educational and interpretive experience. Among other things, the project will replace the existing historic sawmill replica with a new heavy timber structure and make improvements to museum buildings. Plans and working drawings were funded in FY 2008-09 and 2009-10, respectively.

12. COBCP-D-856: Angel Island State Park—Immigration Station Hospital Rehabilitation. The Governor requests \$424,000 (Prop 84) to rehabilitate the Immigration Station Hospital at Angel Island State Park.

13. COBCP-D-857: Fort Ord Dunes State Park—New Campground and Beach Access. The Governor requests \$2 million (Prop 84) to conduct the working drawing phase of a project to develop initial permanent public facilities, including camping and day use beach access, at the Fort Ord Dunes State Park in Monterey County. Construction phase costs, projected for inclusion in the 2011-12 budget, are currently estimated at \$19 million and would be paid for out of Prop 84 funds.

14. COBCP-D-705: El Capitan State Beach—Construct New Lifeguard Headquarters. The Governor requests \$612,000 (Prop 84) to demolish the existing lifeguard headquarters in the campground loop and construct a new one near the existing concession building in the day use beach area.

15. COBCP-D-862: Silverwood Lake State Recreation Area—Nature Center Exhibits. The Governor requests \$827,000 (Prop 84) to provide new interpretive, educational, and informational exhibits for the recently constructed Nature/Visitor Center building and surrounding site at Silverwood Lake State Recreation Area.

16. COBCP-A-1: Statewide State Park System Opportunity Inholding Acquisitions. The Governor requests \$1.5 million (Prop 84) to provide funds to be used statewide to acquire variously sized parcels that are either adjacent to or substantially enclosed within adjoining State Park property; or are parcels that are surrounded at least 50 percent by State Park property and where Parks' ownership would improve operations of the existing state park unit.

17. Various Minor Capital Outlay Projects. The Governor requests Prop 84 funding for various statewide minor capital outlay projects, including \$2.5 million for statewide park system projects, \$430,000 for the recreational trails program, and \$586,000 for the volunteer enhancement program.

Recommendation: Consistent with previous bond fund requests: HOLD OPEN capital outlay items (15-22).

Concession Contracts

Pursuant to Public Resources Code 5080.2, the Legislature must approve Department of Parks and Recreation concession contracts. For the 2010-11 fiscal year, there is one concession agreement that requires legislative approval:

Oceano Dunes State Vehicular Recreation Area (SVRA) Off-Highway Vehicle (OHV) Rentals

Supplemental Report Language. If approved, Supplemental Report Language (SRL) describing the contract will be included as part of the 2010-11 Budget package. Below is a proposed draft of that language:

Item 3790-001-0001 --- Department of Parks and Recreation:

Concession Contracts. Pursuant to Public Resources Code Section 5080.20, the following concession proposals are approved as described below:

Oceano Dune State Vehicular Recreation Area (SVRA) – OHV Rental Concession. The department may bid five new concession contracts for the rental of Off-Highway Vehicles (OHVs) at Oceano Dunes SVRA.

The proposed provisions of each new concession contract includes a term of up to 10 years; may require a total initial investment of \$100,000 to provide approximately 100 OHVs and rider safety rental equipment. Annual rent to the State will be the greater of a guaranteed flat rate or a percentage of annual gross receipts. Proposers will be required to bid a minimum annual rental of \$20,000 or up to ten percent of monthly gross receipts, whichever is greater.

It is anticipated that the new concession contract will be implemented during the summer of 2010.

Staff Comments. Staff notes no significant concerns with this proposal

Staff Recommendation: APPROVE the SRL.